American Hospital Association

Expanding Coverage

Issue

Today more than 47 million people in America lack health care coverage. Between 2004 and 2006, nearly 3.4 million more people were added to the ranks of the uninsured, primarily due to a decline in employer-sponsored coverage. And with the slowdown in the economy, many state governments are cutting eligibility and benefits to Medicaid and the State Children's Health Insurance Program (SCHIP) – the public insurance programs that help our most vulnerable populations. According to recent studies, a one percent increase in the unemployment rate would add 700,000 more children and 1.7 million adults to the uninsured roles. Affordable health coverage for individuals and small employers is becoming more and more unattainable as health insurance premiums continue to rise. Expanding health insurance coverage and sustaining access to essential health care services for all must move to the top of the national public policy agenda.

Who Are the Uninsured?

- 8 out of 10 are from working families
- 9 million are children under age 18
- Half are low-income adults
- Two-thirds live in low-income families earning less than $39,000 a year

Consequences of No Insurance. The lack of health insurance leads to poorer health. When compared with the insured population, the uninsured are more likely to experience avoidable hospital admissions for chronic conditions such as asthma, diabetes and hypertension. Uninsured children are seven times more likely to go without needed medical care than children who have health insurance. More than half of all uninsured children did not have a "well-child" check up in the past year – more than double the rate of kids with insurance. In addition, 20 percent of the uninsured say their usual source of care is the hospital emergency department, which long has been the nation's health care safety net – guaranteeing access to all regardless of ability to pay. The nation as a whole is economically disadvantaged as a result of the poorer health and premature death of uninsured Americans. The Institute of Medicine estimated that 18,000 Americans die prematurely because of a lack of health coverage, and the estimated lost economic value to our nation of a lack of health care insurance is between $65 billion and $130 billion annually.

AHA View

The AHA believes that everyone deserves health care coverage that provides the right care, at the right time, in the right place. Health coverage for all, paid for by all is an essential element of health reform supported by the AHA. Increasing coverage for the uninsured through incremental steps that build on raising awareness and expanding access to both public coverage and private insurance holds the most promise in the near term. The AHA also supports achieving parity between medical and mental health benefits for group health plans.

Raising Awareness. Under the leadership and coordination of the Robert Wood Johnson Foundation, the AHA again will join a group of national partners that include health care, business, labor and consumer groups, for Cover the Uninsured Week 2008, April 27- May 3. This year's focus is to raise awareness and demand solutions from our nation's leaders. Thousands of events, including health and enrollment fairs, will take place at hospitals and community forums across the country. Later this year, the AHA will again support the Robert Wood Johnson Foundation program "Covering Kids and Families" on its Back to School 2008 campaign, which occurs in August when parents prepare for their children's return to school – preparations that should include addressing health coverage for children.

Health Coverage Coalition for the Uninsured. The AHA is an active member of the Health Coverage Coalition for the Uninsured (HCCU), a diverse group of national organizations with the mission of covering as many people as quickly as possible. In January 2007, the group unveiled its consensus proposal that seeks to expand public and private coverage through Medicaid and SCHIP, and tax credits to purchase insurance for low-income families. The HCCU proposal has two phases.

- The first is the "Kids First Initiative" that would allow parents to more easily enroll their children in public programs, like SCHIP and Medicaid. It calls for a "one-stop shopping" system whereby low-income families could enroll uninsured children in SCHIP or Medicaid at the same time as they apply for other public programs, like reduced-cost lunches or food stamps. Almost 75 percent of the 9 million uninsured children are eligible for either SCHIP or Medicaid but not enrolled. The "Kids First Initiative" also would provide tax credits to low-income families up to 300 percent of the federal poverty level (FPL) to purchase health care coverage for their children. Reps. Rahm Emanuel (D-IL) and Jim Ramstad (R-MN) introduced the *Healthy Kids Act* (H.R. 2147) that would implement the "Kids First Initiative."

- The second phase of the coalition's proposal focuses on uninsured adults. It seeks to expand Medicaid to all adults under 100 percent of FPL and provide tax credits to low-income individuals and families up to 300 percent of FPL to purchase health care coverage.

In addition to the AHA, the HCCU includes AARP, American Academy of Family Physicians, American Medical Association, American Public Health Association, America's Health Insurance Plans, Blue Cross and Blue Shield Association, Catholic Health Association, Families USA, Federation of American Hospitals, Healthcare Leadership Council, Johnson & Johnson, Kaiser Permanente, Pfizer Inc., United Health Foundation and U.S. Chamber of Commerce.

SCHIP. Being without health coverage limits a child's ability to grow, thrive and engage in society in a productive way. SCHIP provides health insurance coverage to more than 7 million low-income children across the country. Financing for this public program comes from both the federal and state governments and is operated by state governments within a federal framework.

September 30, 2007 marked the end of the program's 10-year authorization. The program is currently operating under a short-term authorization. The president vetoed two SCHIP reauthorization plans, which Congress failed to override, and has threatened to veto every plan that does not conform to the Administration's vision of the SCHIP program.

The Administration has pursued its efforts to constrain the SCHIP program through regulatory means. On August 17, 2007, the Centers for Medicare & Medicaid Services (CMS) issued a directive to state governments restricting SCHIP eligibility to children living in families earning no more than 250 percent of FPL. States must meet very restrictive tests to enroll children into SCHIP above 250 percent of FPL, including demonstrating that 95 percent of the children under 200 percent of FPL have been enrolled, and that private employer-based coverage for lower income children has not declined. Twenty-three states are affected by the directive, with 10 that already cover children with incomes above 250 percent FPL and 14 states that had authorized expansions beyond this level. (Washington is applicable to both criteria.)

In December 2007 Congress passed legislation to extend the current funding of $5 billion for SCHIP through March 31, 2009. An additional $1.6 billion along with the redistribution of prior year unspent SCHIP allotment funds was made available to address any shortfalls states face through fiscal year (FY) 2008. These amounts are intended to make certain that states can maintain their current SCHIP enrollment through March, 2009.

The AHA continues to advocate for SCHIP legislation passed by Congress. The Senate and House FY 2009 budget resolutions include a $50 billion reserve fund to reauthorize the SCHIP. In addition, the Senate budget blueprint addresses concerns with CMS' August 17 directive.

Funding. As Congress considers ways to fund a newly reauthorized SCHIP and other coverage expansions, it is imperative that it not be done by cutting Medicare and Medicaid payments to hospitals. America's hospitals, which serve as the health care safety net for the poor, elderly and disabled, are facing growing cost pressures – new and costly pharmaceuticals and information technologies, labor shortages and preparations for pandemics and terrorist threats. Both the Medicare and Medicaid programs fail to cover the cost of caring for beneficiaries. In fact, the

Medicare Payment Advisory Commission estimates aggregate Medicare hospital margins of *negative* 4.8 percent in 2006 and projects *negative* 4.4 percent in 2008. And, the Medicaid program continues to be underfunded, with hospitals in 2006 receiving only 86 cents for every dollar spent caring for beneficiaries.

Bridging the Parity Gap. The AHA is working with the Administration, Congress and more than 350 national organizations to ensure that discriminatory barriers in employer-provided health insurance are no longer allowed to routinely deny patients needed mental health care. Patients seeking mental health care are discriminated against by insurance plans requiring higher copayments, allowing fewer doctor visits or days in the hospital, or imposing higher deductibles than those required for other medical illnesses.

The AHA supports *the Mental Health Parity Act of 2007* (S. 558), introduced by Sens. Pete Domenici (R-NM), Edward Kennedy (D-MA) and Michael Enzi (R-WY), which would expand the limited protections offered by the *Mental Health Parity Act of 1996*. That law provided for parity between mental health and physical health insurance coverage only with respect to annual and lifetime dollar limits. S. 558, approved by the Senate in September 2007, also would establish parity for hospital days, outpatient visits, copays, deductibles and out-of-pocket maximums. Full parity is critical since, after the 1996 law took effect, many employers eliminated discriminatory dollar limits on mental health coverage, but created new discriminatory restrictions on other aspects of mental health benefit plans, such as office visits and hospital days. The Senate-passed bill applies only to group health plans already providing mental health benefits and exempts plans sponsored by businesses with fewer than 50 employees.

In February, the House passed its own legislation, the *Paul Wellstone Mental Health and Addiction Equity Act of 2007* (H.R. 1424), also supported by the AHA. H.R. 1424 also would place a ban on physician self-referral to limited-service hospitals. The two bills now must be reconciled.